

## Material Variance Form

<b>Purpose</b>	<p>The Material Variance form provides explanation for material variances between prior year and current year expenditures, revenue, and transfers in/out balances.</p> <p>Note: The original form will be included with the financial reports to SCO and required to be submitted even if there is no activity to report. In addition, a copy should be e-mailed to SCO at <a href="mailto:BLFinRep@sco.ca.gov">BLFinRep@sco.ca.gov</a></p>
<b>Reference Documents</b>	<ul style="list-style-type: none"> <li>★ Pre-Closing Trial Balance, Report 7 from prior year (dated as of June 30<sup>th</sup>, 2017)</li> <li>★ Pre-Closing Trial Balance, Report 7 from current year (dated as of June 30<sup>th</sup>, 2018).</li> <li>★ Analysis of Change in Fund Balance, Report 9 for Fiduciary Funds from prior year (dated as of June 30<sup>th</sup>, 2017)</li> <li>★ Analysis of Change in Fund Balance, Report 9 for Fiduciary Funds from current year (dated as of June 30<sup>th</sup>, 2018)</li> <li>★ SCO Year-End Financial Reports Procedure Manual (Budgetary/Legal)</li> <li>★ Chart of Accounts Crosswalk (Finance, FI\$Cal Resources web page)</li> <li>★ Year-end Report Checklist for FI\$Cal Departments</li> </ul>
<b>How to Prepare</b>	<p>The Material Variance Explanation Form is available on the SCO web site: <a href="https://www.sco.ca.gov/ard_reporting.html">https://www.sco.ca.gov/ard_reporting.html</a> . Departments should review the Year-End Financial Reports Procedure Manual (Budgetary/Legal Basis) issued by the State Controller's Office (SCO) for additional instructions.</p>
<b>Steps to Prepare</b>	<ol style="list-style-type: none"> <li>1. Enter the Fund number, Agency Code, Contact Name, and Contact email.</li> <li>2. Use the PY Report 7 to fill in Expenditure, Revenue, Transfer In and Transfer Out for prior year.</li> <li>3. Use the CY Report 7 to fill in Expenditures, Revenue, Transfer In and Transfer Out for current year.</li> <li>4. The form will automatically calculate the variance amount and variance percentage.</li> <li>5. Based on the calculation, a message will appear identifying whether or not the variance is material and whether it requires an explanation. Explanation is required if a variance amount equals or exceeds \$1 million <u>AND</u> the variance percentage equals or exceed 10%. When either CY or PY balance is zero, variance percentage is inapplicable and no explanation is needed.</li> </ol>

<b>Important Notes/Tips</b>	<ul style="list-style-type: none"> <li>★ Use the PY and CY Report 7s to fill in the PY and CY amounts.</li> <li>★ Use the PY and CY Report 9s to fill in the PY and CY amounts for the Fiduciary Funds outside the Centralized Treasury System.</li> <li>★ If a variance explanation is required, provide a detailed explanation for the applicable nominal account type(s).</li> <li>★ When either CY or PY balance is zero, variance percentage is inapplicable and no explanation is needed.</li> <li>★ Submit this form to the SCO with the fund's year-end financial statements, even if all amounts are zero.</li> </ul>
---------------------------------	--